1989 Annual Report

SASKATCHEWAN
TRANSPORTATION COMPANY

90-04715/

Sincere appreciation is extended to the following employees who retired during 1989 for their years of valued service to the Company:

F. George Allan
Motor Coach Operator, Regina
May 25, 1957 to June 1, 1989

T. Douglas Humphrey
Motor Coach Operator, Regina
June 30, 1948 to March 1, 1989

John McLeish
Passenger Services Supervisor, Regina
November 28, 1966 to March 1, 1989

Donald G. Roszell
Transportation Services Supervisor, Regina
July 16, 1954 to August 1, 1989

Elmer Ruecker
Motor Coach Operator, Regina
June 5, 1956 to March 2, 1989

Ernest M. Scherle
District Manager, Regina
June 9, 1951 to September 1, 1989

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Letter of Transmittal

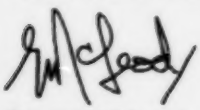
January 22, 1990

To Her Honour S. Fedoruk
The Honourable Lieutenant Governor
of the Province of Saskatchewan

Your Honour:

I have the honour to submit the Annual Report of the Saskatchewan Transportation Company for the year ended October 31, 1989, including the Financial Statements duly certified by the Corporation's Auditor and in the form approved by the Treasury Board, all in accordance with The Crown Corporations Act, 1978.

Your obedient servant



George McLeod
Minister in Charge
Saskatchewan Transportation Company

Chairman's Report

The Saskatchewan Transportation Company, recognizing its responsibility to provide energy efficient and environmentally friendly public transportation, demonstrated its genuine care for the needs of the people it serves in 1989.

In response to customer surveys and comments, a "Smoke Free" policy on all regularly scheduled routes was effected on April 2, 1989. The use of non-asbestos brake linings was adopted in the coach maintenance area and, on a more global basis, two Saskatchewan manufactured Freon reclaimers were purchased. These reclaimers prohibit the release of ozone damaging chlorofluorocarbons into the atmosphere when servicing the air conditioning units in our fleet.

A number of routing and scheduling improvements were also implemented to enhance the quality of service provided. The introduction of a mid-day service between Regina and Moose Jaw, a late evening non-stop service between Saskatoon and Prince Albert and an early morning schedule from Prince Albert to Saskatoon provided passengers with a multiplicity of schedule inter-connections and convenient travel time options. As well, these changes enabled the corporation to move express shipments at times more conducive to the business community. Significant customer oriented improvements were also achieved in the south-west corner of the province through extension of the Regina/Shaunavon route to Eastend and the Saskatoon/Swift Current route to Climax-Frontier. This succeeded in stimulating increased usage by affording the affected communities the opportunity of same day return-trip capability and express service to and from the major cities. Duplication of service between Biggar and Saskatoon was eliminated by rerouting the Macklin/Kerrobert/Saskatoon schedule via Coleville-Kindersley therein providing Kindersley, Rosetown and area with convenient same day return passenger and parcel express service to Saskatoon as well as connecting service to Edmonton. Interconnection capabilities were also expanded in other areas through minor time adjustments to schedules. STC plans to meet the changing demands of the future with the same customer sensitive dedication it has maintained in the past.

The corporation also improved its financial performance. The $4.6 million loss sustained by the corporation was approximately $284,000 less than the previous year. The predominant factor for this favourable variance was a reduction in interest costs due to the application of equity proceeds to liquidate outstanding loans.

Passenger revenues of $6.7 million were up approximately $400,000 in 1989 reflecting recent rate adjustments and the stability in ridership.

The $129,000 decline in Express revenues to $5.4 million was a consequence of imposed reduced interline revenue sharing formulas.

Charter revenues of $751,000 were up $20,000 due to higher yields offset by a slight reduction in miles operated.

Commission and other transportation service revenues were also up marginally and accounted for the remaining $1.3 million of transportation revenues.

Operating costs of $14.4 million were up $591,000 over last year primarily attributable to higher labour costs and fuel prices.

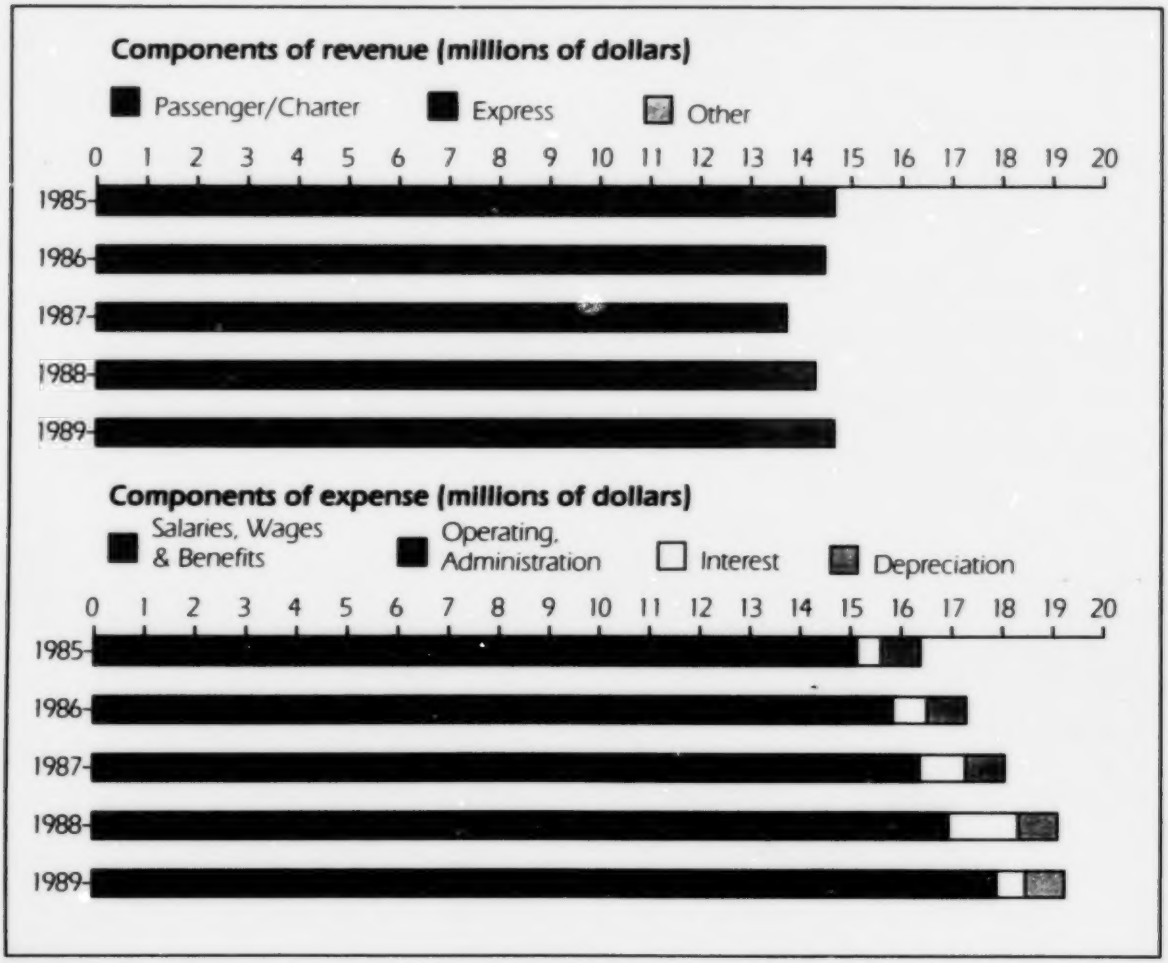
Administrative costs of $3.4 million were up $356,000 from last year. Intensified direct sale marketing, higher benefit costs and one-time labour costs associated with the signing of the Collective Agreement were among the factors causing the increase.

Depreciation expenses of $817,000 remained virtually constant and, as previously indicated, interest costs of $552,000 were down $866,000 from last year.

The success of the cost containment measures exercised by the Company is reflected in the marginal 0.6% rise in total corporate expenses of $19.2 million in 1989.

The safe carriage of six hundred and forty-two thousand passengers and hundreds of thousands of parcel express shipments is testimony to STC being the most vital ground transportation system in the province. Saskatchewan Transportation Company has earned this customer loyalty and patronage through the dedicated and productive efforts of its employees and commissioned agents. I would also like to thank the Board Members for their participation and support this year as we sought to fulfill community needs.

William Rudichuk
Chairman



Five Year Statistical Profile (Unaudited)

	1988-89	1987-88	1986-87	1985-86	1984-85
Income (000's)					
Scheduled Service	$12,054	$11,783	$11,290	$11,756	$12,128
Other	2,622	2,499	2,428	2,723	2,537
Total:	$14,676	$14,282	$13,718	$14,479	$14,665
Expenses (000's)					
Operating & Administration	$17,862	$16,915	$16,357	$15,794	$15,095
Interest	552	1,418	898	704	497
Depreciation	817	788	781	794	794
Total:	$19,231	$19,121	$18,036	$17,292	$16,386
Net Loss (000's)	$ 4,555	$ 4,839	$ 4,318	$ 2,813	$ 1,721
Property And Equipment (000's)	$10,830	$10,114	$10,374	$11,077	$11,232
Miles Operated (000's)					
Scheduled Miles	5,084	5,038	5,079	5,140	5,131
Other	376	383	427	385	354
Total:	5,460	5,421	5,506	5,525	5,485
Route Passengers					
Number Carried (000's)	642	648	656	697	737
Passenger Miles (000's)	68,493	69,721	70,724	75,051	78,781
Coach Statistics					
Number of Coaches	62	62	62	62	62
Miles/Coach	88,067	87,436	88,805	89,112	84,899
Average Age of Fleet	12.1	11.1	10.1	9.1	8.1
Number of Employees	302	308	298	305	294
Salaries, Wages & Benefits (000's)	$10,583	$10,316	$10,098	$ 9,981	$ 9,779

Corporate Directory

Board of Directors

As of October 31, 1989

William G. Rudichuk	— Chairman
Honourable George McLeod	— Vice-Chairman
Ian Disbery	— Board Secretary
Daryl Huber	— Lipton
David Kimber	— Melfort
Leona Huxley	— Maidstone
Helen Crich	— Saskatoon
Clinton Ranger	— Leask
Hilda Hildebrandt	— Limerick
Danny Keshane	— Kamsack

Management

As of October 31, 1989

Don Castle	— President
Darrell T. Lowry	— Vice-President, Operations
David A. Sentes	— Vice-President, Finance & Administration
Greg G. Beattie	— Manager, Sales & Traffic
Ruth Weir	— Controller
Les Wills	— Equipment Manager

Auditors' Report

To the Members of the Legislative Assembly
Province of Saskatchewan

We have examined the statement of financial position of Saskatchewan Transportation Company as at October 31, 1989 and the statements of operations and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at October 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat Marwick Thorne

January 12, 1990

Peat Marwick Thorne

Statement of Financial Position

	October 31 1989	October 31 1988
	(Thousands of dollars)	
ASSETS		
Current Assets		
Accounts receivable	$ 1,930	$ 2,224
Supplies and parts inventories	592	561
Prepaid expenses	203	142
	2,725	2,927
Property And Equipment (note 1)	10,830	10,114
	$ 13,555	$ 13,041
LIABILITIES AND PROVINCE'S EQUITY (DEFICIENCY)		
Current Liabilities		
Bank indebtedness	$ 1,035	$ 971
Accounts payable and accrued liabilities	2,870	2,623
Notes payable (note 2)	2,960	10,820
Loans payable	---	6,326
	6,865	20,740
Obligation under capital lease (note 3)	74	130
Total liabilities	6,939	20,870
Province of Saskatchewan's Equity (Deficiency)		
Equity advances (note 4)	30,635	11,635
Deficit	(24,019)	(19,464)
	6,616	(7,829)
	$ 13,555	$ 13,041

Approved by the Board:

Director

Director

Statement of Operations and Deficit

	Year ended October 31 1989	1988
	(Thousands of dollars)	
REVENUE		
Transportation services	$ 14,113	$ 13,729
Other revenues	563	553
	14,676	14,282
EXPENSES		
Operating	14,428	13,837
Administration	3,434	3,078
Depreciation	817	788
Interest	552	1,418
	19,231	19,121
LOSS FOR THE YEAR	4,555	4,839
DEFICIT AT BEGINNING OF YEAR	19,464	14,625
DEFICIT AT END OF YEAR	$ 24,019	$ 19,464

Statement of Changes in Financial Position

	Year ended October 31 1989	1988
	(Thousands of dollars)	
CASH PROVIDED BY (USED FOR):		
OPERATIONS		
Loss for the year	$ (4,555)	$ (4,839)
Item not involving cash		
Depreciation	817	788
Change in non-cash operating working capital (note 5)	443	(577)
	(3,295)	(4,628)
INVESTMENTS		
Additions to property and equipment	(1,533)	(528)
FINANCING		
Payment of obligation under capital lease	(50)	(46)
Increase (decrease) in notes payable	(7,860)	881
Increase (decrease) in loans payable	(6,326)	5,500
Increase in Crown Investments Corporation of Saskatchewan equity advances	19,000	---
	4,764	6,335
INCREASE (DECREASE) IN CASH POSITION	(64)	1,179
CASH POSITION AT BEGINNING OF YEAR	(971)	(2,150)
CASH POSITION AT END OF YEAR	$ (1,035)	$ (971)

Notes to Financial Statements

Year Ended October 31, 1989

GENERAL

The Saskatchewan Transportation Company was established in 1946 by Order in Council # 168 to act as a common carrier providing passenger transportation, parcel express and freight services. The Company is continued under The Crown Corporations Act, 1978.

The accounts of the Company are consolidated in the annual financial statements of the Crown Investments Corporation of Saskatchewan (C.I.C.).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Supplies and Parts Inventories

Inventories of vehicle parts and supplies are stated at the lower of average cost or replacement cost.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Expenditures for betterments, such as major refurbishments and structural repairs, are capitalized. Normal maintenance, such as engine and drivetrain repairs or replacement, mechanical repairs and preventative maintenance, are expensed as incurred.

Depreciation

Depreciation is provided from the date assets are put into service and is recorded on the straight-line basis at rates designed to depreciate the cost of the fixed assets over their estimated useful lives after considering salvage values. Annual depreciation rates are as follows:

Buildings	2.5% to 10%
Coach equipment	11.1%
Other equipment	10.0% to 20%

Leases

Leases that transfer substantially all the benefits and risks of ownership of property to the Company are accounted for as capital leases.

At the time a capital lease is entered into, the asset, together with its related long-term obligation, is recorded at an amount equal to the present value of future minimum lease payments. The obligation recorded under capital lease is reduced by rental payments net of interest.

Equipment under capital lease is depreciated on the same basis as owned equipment.

1. PROPERTY AND EQUIPMENT

	1989			1988
	Cost	Accumulated Depreciation	Net	Net
	(Thousands of dollars)			
Land	$ 1,772	$ ---	$ 1,772	$ 1,772
Buildings	8,183	2,082	6,101	5,304
Coach equipment	7,723	5,705	2,018	2,123
Equipment under capital lease	278	150	128	153
Other equipment	1,566	755	811	762
	$19,522	$ 8,692	$10,830	$10,114

The Company has a commitment to purchase motorcoaches at a cost of approximately $3,295,000.

2. NOTES PAYABLE

The notes payable are comprised of Bankers' Acceptances bearing effective interest rates of 12.75% to 12.85% (1988 - 9.75% to 11.75%). The notes are stated net of discount with a maturity value of $3,000,000 (1988 - $11,000,000).

By Order in Council 933/89 dated November 15, 1989, the Company is authorized to borrow up to $500,000 from external sources and a further $7,000,000 from C.I.C. to meet its on-going working capital and financing requirements.

Pursuant to this new financing arrangement, the bank indebtedness and notes payable at October 31, 1989 were repaid.

3. OBLIGATION UNDER CAPITAL LEASE

The following is a schedule by year of future minimum lease payments together with the balance of the obligation under capital lease.

	(Thousands of dollars)
1989-90	$ 67
1990-91	67
1991-92	11
Total future minimum lease payments	145
Amount representing interest at 10.75%	15
	130
Less current amount included in accounts payable	56
Balance of obligation	$ 74

4. EQUITY ADVANCES

During the year, the Company received further equity advances in the amount of $19,000,000. Equity advances received from C.I.C. are intended as long-term equity for the Company. These equity advances are non-interest bearing with no fixed terms of repayment.

5. CHANGE IN NON-CASH OPERATING WORKING CAPITAL

The change in non-cash operating working capital is comprised of the following items:

	1989	1988
	(Thousands of dollars)	
Cash provided by (used for):		
Accounts receivable	$294	$ (749)
Supplies and parts inventory	(31)	(49)
Prepaid expenses	(61)	(4)
Accounts payable and accrued liabilities	241	225
	$443	$ (577)

6. PENSION PLANS

The Company participates in two pension plans. One is the STC Employees Superannuation Plan, established pursuant to the Public Service Superannuation Act, and is a defined benefit plan. The other is the Crown Investments Corporation Pension Plan, which is a defined contribution plan. Employees hired after September 1, 1980 are all participants in the defined contribution plan.

The Company's financial obligations to each of the plans are limited to making regular payments to match the amounts contributed by the employees for current service.

7. RELATED PARTY TRANSACTIONS

Included in these financial statements are revenue and expenses resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the Company is related.

Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms.

1989 Route Map